

# Understanding India: The New Frontier for American Business

By Gunjan Bagla

**Executive Briefing:** India presents a huge untapped business opportunity for American executives. But many myths hinder the success of Western companies in India. Five common fallacies ranging from outsourcing, to finance, to marketing, are cleared in this article.

 In 2007, American exports to India increased by an astonishing 73.4% over the previous year, according to U.S. government statistics. India is already among the top 20 trading partners for the United States. But the best is yet to come as Indian entrepreneurs unleash their prowess in an economy that began to liberalize in 1991, 13 years after China did.

Newly-minted MBAs and seasoned managers alike have rushed to China in the last decade. Yet today, India offers business majors an excellent, although somewhat misunderstood alternative. As home to Asia's oldest stock market and the world's largest democracy, this country of 1.1 billion holds enormous profit potential for companies and executives alike. But only if they go in with the right attitude and an open mind.

Here are a few myths about doing business with India with some examples of reality.

India is home to Asia's oldest stock market and the world's largest democracy.

## Myths

### **#1 India is synonymous with "outsourcing."**

In an airline lounge or a business meeting, if I mention that I am author of a book on business in India, people invariably ask me about "outsourcing." It is true that India's most successful offshore outsourced service providers such as Tata Consultancy Services, Wipro and Infosys have each enjoyed growth rates of over 20% annually for most of the last decade. However the entire IT and IT-enabled services industry (including Indian outsourcers and overseas companies with Indian offices) employ fewer than 2 million people in India. While important in many ways, this number is tiny compared to India's population of 1.1 billion. On the other hand Boeing has sold over \$10 billion of aircraft into India in recent years. General Electric sells over \$3 billion of goods and services annually. Dozens of American companies thrive by selling into India today. You can too.

### **#2 There are 350 million middle-class Indians waiting to buy my goods and services.**

While the Indian government may legitimately claim that a third of its population is "middle-class" by its own standards, it's ridiculous to base a marketing plan imagining 350 million Indians with single-family homes complete with white picket fences, 2.1 cars and a dog. By American standards there are probably only around 60 million Indians who qualify as middle-class. Now that is still a huge market and you can't ignore it. Some of these 60 million Indians are ready to send their son or daughter to an American college (more college kids come to the U.S. from India than from any other country); it's 60 million Indians buying their first cars (from GM, or Ford, if not Suzuki or Hyundai). Some of those 60 million Indians want to take a vacation to Disneyland. Or eat at Subway. Or fly in a Boeing airplane. But let's be realistic about our projections; it's not 350 million Indians who can afford this just yet.

### **#3 Unlike Chinese (or Mexicans, Russians, or Brazilians), Indians speak English, so I will have no trouble doing business there.**

First of all, 90% of the Indian population does not speak English fluently. Second, there are 23 distinct, "official" languages spoken in the country and Bengali as a different from Malayalam as French might be from Turkish. Third, the way people speak English in India might confuse you even further. For example an Indian might say respectfully, "My name is Jayalalitha B. and my email ID is jaya at the rate of alphaIndia dot com, what is your good name, madam?" or she might write "Vide Annexure B of the *vakalnataka* sent to you a fortnight ago, please sign the same and return in the attached franked envelope."

But more than language it is important to understand that Indians think differently from Western people. For example, time is viewed as cyclical and plentiful and punctuality is not held in the same high regard as in the west. Experts call this view "polychronic time" as opposed to the Western way where we are slaves to Microsoft

Ninety percent of Indians are not fluent in English. India has 23 official languages, from Bengali to Malayalam.

Outlook's calendar function. Many Indians value subtlety and indirect communication and often find the blunt American way to be jarring, almost crude. Americans sometimes mistake this subtlety for weakness or deceit.

**#4 Since India's legal system is based on a British foundation, which is similar to the American system, I can be assured that my contracts will protect me.**

It is true that protection for confidentiality and intellectual property is quite high in India compared to other emerging economies. However, you cannot make the leap that Indian courts offer you (or anyone) much in terms of real protection. Lawsuits can take years to come to trial and a decade or more to reach a decision. Appeals are frequent and relatively inexpensive. Collecting on a judgment is another long road. For most pragmatic business people in India, protection in the form of strong trusted relationships (cultivated over time) is as important as signed contracts. Invest in those relationships and nurture them. Relationships can be quite profitable in India.

**#5 Foreign Direct Investment (FDI) into India is small compared to China, so the country must not matter.**

FDI might be the wrong measure. India's domestic consumer market is vibrant. Its investors and financial institutions are market-based like the West (and perhaps unlike the possibly distorted markets in Russia and China). As a result there is plenty of domestic capital available on the equity markets in India. For example, Reliance Power raised \$3 billion on the Bombay Stock

Exchange in early 2008. Several months earlier, Europe's Cairn raised \$1.4 billion for its Indian unit.

In fact Indian companies have had no trouble investing overseas; witness Tata Motors \$2 billion buyout of Jaguar and Land Rover from Ford Motor Company and Hindalco's \$6 billion acquisition of Atlanta-based Novelis. Also there are over 20 million people of Indian origin living overseas; they send back \$25 billion in remittances per year, the highest amount for any country. Only Mexico and China come close. Money is not in short supply in India today and so, while FDI is important, it is not crucial. ♦ [gBR Article 03-01](#), Copyright © 2009.

## Sources

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For "Indish" to English translations, please see

<http://www.amritt.com/IndianEnglish.html>.

## About the Author

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